

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE	)	
COMMISSION OF THE ENVIRONMENTAL	)	
SURCHARGE MECHANISM OF BIG RIVERS	)	
ELECTRIC CORPORATION FOR THE	)	CASE NO.
SIX-MONTH BILLING PERIOD ENDING	)	2010-00368
JULY 31, 2010 AND THE PASS-THROUGH	)	
MECHANISM FOR ITS THREE MEMBER	)	
DISTRIBUTION COOPERATIVES	)	

O R D E R

On October 14, 2010, the Commission initiated a six-month review of Big Rivers Electric Corporation's ("Big Rivers") environmental surcharge<sup>1</sup> as billed to its member distribution cooperatives ("Member Cooperatives")<sup>2</sup> for the six-month period February 1, 2010 through July 31, 2010. This billing period reflects the environmental compliance costs incurred by Big Rivers from December 2009 through May 2010.

Pursuant to KRS 278.183(3), the Commission must review the past operations of the environmental surcharge at six-month intervals. After hearing, the Commission may, by temporary adjustment in the surcharge, disallow any surcharge amounts found not to be just and reasonable and reconcile past surcharges with actual costs recoverable pursuant to KRS 278.183(1).

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<sup>1</sup> Big Rivers was authorized to implement an environmental surcharge in Case No. 2007-00460, The Application of Big Rivers Electric Corporation for Approval of Environmental Compliance Plan and Environmental Surcharge Tariff (Ky. PSC Jun. 25, 2008).

<sup>2</sup> The three Big Rivers distribution cooperatives are Meade County Rural Electric Cooperative Corporation, Kenergy Corp. ("Kenergy"), and Jackson Purchase Energy Corporation.

The October 14, 2010, Order also initiated a six-month review of the three Big Rivers Member Cooperatives' pass-through mechanisms.<sup>3</sup> This six-month review for the Member Cooperatives covers their billings from March 1, 2010 through August 31, 2010 for all retail customers except large commercial and industrial customers with dedicated delivery points. For those customers with dedicated delivery points, which include the two aluminum smelters served by Kenergy, the environmental surcharge bills are rendered without the one-month lag necessary for all other retail customers. Thus, for the dedicated delivery customers, the bills cover the same six months as does Big Rivers', which is February 1, 2010 through July 31, 2010.

The Commission included a procedural schedule in the October 14, 2010 Order that provided for discovery, the filing of prepared testimony, and an informal conference. Big Rivers filed prepared direct testimony and responded to Commission Staff's requests for information. There are no intervenors to this proceeding. An informal conference, attended by representatives of Big Rivers and Commission Staff, was held on December 2, 2010. On January 13, 2011, Big Rivers filed a written notice that this case could be submitted for decision on the existing record without a hearing.

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<sup>3</sup> The three Member Cooperatives were authorized to implement a pass-through mechanism in Case No. 2007-00470, Application of Meade County Rural Electric Cooperative Corporation for Approval of Retail Tariff Riders, Revised Tariffs and New Tariff, and for Approval of Amendment of Wholesale Agreement (Ky. PSC, Dec. 12, 2008); Case No. 2008-00009, Application of Kenergy Corp. for Approval of Retail Tariff Riders and Revised Tariffs, Approval of Smelter Agreements, and Approval of Amendment to Wholesale Agreement (Ky. PSC, Dec. 12, 2008); and Case No. 2008-00010, The Application of Jackson Purchase Energy Corporation for Approval of Retail Tariff Riders, Revised Tariffs, New Tariff and Amendment of Wholesale Agreement (Ky. PSC Dec. 12, 2008).

### COMPLIANCE PLAN

The approved environmental compliance plan of Big Rivers consists of programs and the associated costs dealing with the control of sulfur dioxide, nitrogen oxide, and sulfur trioxide. Big Rivers is authorized to recover certain variable operating expenses associated with the compliance programs. Big Rivers' compliance plan does not include any capital projects or investments in utility plant to comply with the requirements of federal, state or local environmental statutes or regulations; consequently, it does not recover a return on such projects or utility plant through its environmental surcharge mechanism. As the compliance plan does not include capital projects or investment in utility plant, Big Rivers has also not proposed a revised rate of return as part of this current six-month review.

### SURCHARGE ADJUSTMENT

The October 14, 2010 Order initiating this case indicated that, since over- or under-recoveries of allowable environmental compliance costs may have occurred during the period under review, the Commission would entertain proposals to adopt one adjustment factor to net all over- or under-recoveries. Big Rivers determined that it had no over- or under-recovery of its environmental costs. The Commission has reviewed and finds reasonable Big Rivers' calculation of any over- or under-recovery for the review period covered in this proceeding and finds no need for any subsequent adjustments of Big Rivers' environmental costs as a result of its review.

RETAIL PASS-THROUGH MECHANISM

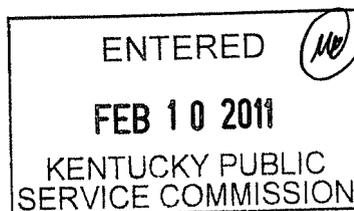
Retail Pass-Through Adjustment

Each of the Member Cooperatives determined it had no over- or under-recovery under its surcharge pass-through mechanism. The Commission has reviewed and finds reasonable the Member Cooperatives' calculations of their respective over- and under-recoveries for the review period covered in this proceeding and finds no need for any subsequent adjustments of the Member Cooperatives' pass-through amounts as a result of this review.

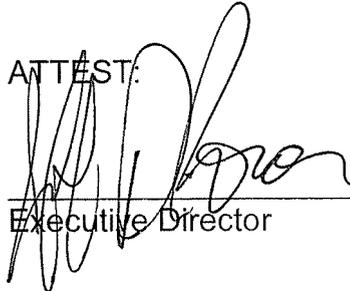
IT IS THEREFORE ORDERED that:

1. The amounts billed by Big Rivers through its environmental surcharge for the period February 1, 2010 through July 31, 2010 are approved.
2. The amounts billed by the Member Cooperatives through their environmental surcharge pass-through mechanisms for the period February 1, 2010 through July 31, 2010 for all customers with dedicated delivery points, and for the periods March 1, 2010 through August 31, 2010 for all other customers, are approved.

By the Commission



ATTEST:

  
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